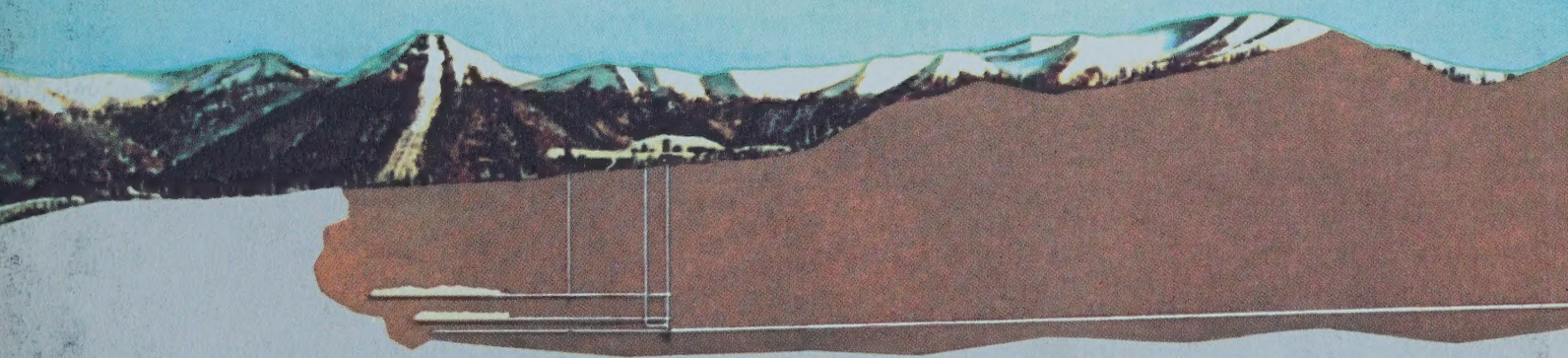


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**AMAX**

AMERICAN METAL CLIMAX, INC.

Annual Report | 1968



MINE

ATLANTIC  
WATERSHED

PACIFIC  
WATERSHED





RAILROAD TUNNEL






AMERICAN METAL CLIMAX, INC.

Incorporated in the State of New York in 1887

1270 AVENUE OF THE AMERICAS • NEW YORK, N.Y. 10020

## Annual Report | 1968

 HIS YEAR'S ANNUAL REPORT COVER is a rendering of AMAX's Henderson molybdenum project at Empire, Colorado, astride the Continental Divide. This undertaking is scheduled to begin operations in the mid-1970's. Ore will be mined at a depth of several thousand feet and transported to the above-ground mill through a 9.3-mile railroad tunnel that cuts through the Rockies. The Henderson project, which is being built at a cost of about \$200,000,000, is expected to produce at the rate of 50,000,000 pounds of molybdenum per year and will provide AMAX with a source of this remarkable metal well into the twenty-first century. In planning this project, AMAX worked with U.S. government agencies and conservationist groups on recreation and land planning, to protect the natural beauty of the area.



SURFACE RAILROAD





MILL

TAILING AREA



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### General Counsel

Sullivan & Cromwell

### Certified Public Accountants

Lybrand, Ross Bros. & Montgomery

### Transfer Agent

Manufacturers Hanover Trust Company

### Registrar

Irving Trust Company

### The 1969 Annual Meeting of Shareholders

of American Metal Climax, Inc.

will be held May 1, 1969, in the theater of the Barbizon-Plaza Hotel, 101 West 58th Street, New York City, at 2:15 P.M. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to each shareholder during the first part of April, at which time management will request proxies.



## Financial Highlights

		<u>1968</u>	<u>1967</u>
<b>For the Year</b>	Net sales .....	\$570,590,000	\$478,260,000
	Operating and other income .....	56,850,000	46,050,000
	Dividend income .....	20,050,000	18,990,000
	Extraordinary items net of taxes .....	7,580,000	3,510,000
	Net earnings .....	67,350,000	56,310,000
	Per common share:		
	Operations and dividends .....	\$3.85	\$3.46
	Extraordinary items .....	.49	.23
	Net earnings .....	\$4.34	\$3.69
	Dividends declared .....	29,770,000	29,460,000
	Per common share .....	\$1.90	\$1.90
	Capital expenditures .....	101,210,000	80,860,000
	Depreciation and depletion .....	25,870,000	20,950,000
<b>At the Year-End</b>	Working capital .....	\$265,180,000	\$238,910,000
	Total assets .....	782,340,000	676,670,000
	Notes payable (including current installments)	199,570,000	161,670,000
	Shareholders' equity .....	455,230,000	416,080,000
	Common shares outstanding .....	15,490,294	15,350,357
	Number of shareholders .....	28,550	26,900
	Preferred shares outstanding .....	102,649	140,259
	Number of shareholders .....	880	1,000
	Number of employees .....	13,600	13,750

# Report to Shareholders

In 1968, sales and net earnings increased substantially. Sales amounted to \$570,590,000, an increase of 19% over 1967 sales, depressed by strikes, of \$478,260,000. Net earnings for the year, including extraordinary items, came to \$67,350,000 or \$4.34 a common share, compared to 1967 earnings of \$56,310,000 or \$3.69 a common share. Excluding extraordinary items, earnings per common share in 1968 increased to \$3.85, from \$3.46 in 1967.

High levels of production, improved operating efficiencies and generally firm prices resulted in a 26% increase in pre-tax earnings from operations. These earnings advanced to \$55,500,000 in 1968, compared to \$43,970,000 in 1967. Earnings from other sources increased slightly over 1967 to \$21,400,000, before taxes.

The improvements in living standards and steadily increasing consumption of metals present opportunities for our company. To meet this prospective growth of markets, AMAX increased its major exploration and capital expansion programs. In 1968, capital expenditures reached an all-time high of \$101 million, bringing the total expenditures for the past four years to over \$330 million. Because of the very long lead time in development and construction in our business, a profit return on some of the major expenditures made during the past few years will not be realized until 1969 and future years.

In 1969, we expect earnings to benefit from initial or a full year's operations of four major projects:

- The primary aluminum smelter in Washington State, in which AMAX holds a 50% interest, was completed during the latter part of 1968 and is producing aluminum ingot at 16% over scheduled capacity—a current production rate of 265,000 tons per year.
- First shipments of iron ore from the Mt. Newman project (in which AMAX holds a 25%

interest) in Western Australia are scheduled to arrive at steel mills in Japan during the second quarter of this year, and the first revenues from this major venture will be included in our financial returns in 1969. The project, which is based on one of the largest and richest deposits of iron ore in the world, has enjoyed outstanding success in meeting construction schedules and cost estimates. Orders for delivery of 217 million long tons of iron ore represent one of the largest commitments ever made in advance of actual mine operation.

- In Missouri, the large lead project (in which we have 50% ownership) is nearing completion. The smelter is in operation, and the mine is in initial production with operations scheduled for capacity levels by mid-year.
- Our new aluminum rolling mill in Illinois, which has a capacity of 90 million pounds of aluminum sheet a year, is now in operation and is scheduled for capacity production by year-end.

Present planning calls for a continued high rate of capital expenditures over the next five years. The cover of this Annual Report depicts one project. It shows an artist's conception of the next major source of AMAX molybdenum, the Henderson project in Colorado, expected to produce at a rate equal to our Climax mine operation.

Approximately one-third of the total of AMAX planned expenditures is earmarked for expansion of the Molybdenum and Specialty Metals business. A similar amount is programmed for facilities at the Kimberley bauxite deposit in Western Australia if the project proves to be economically feasible. The remainder of the funds are planned to expand present operations, including iron ore; to develop the Rio Vivi copper mine if negotiations with the Puerto Rican government are successfully completed; and to finance opportunities





*AMAX won top award in a field of 31 companies from The Sports Foundation, Inc., for its environmental control programs at Urad and Henderson molybdenum projects in Colorado. Award, displayed here by Ian MacGregor (right) and David Mayers, group vice president for AMAX Molybdenum and Specialty Metals, recognized company's continuing efforts to eliminate water pollution and open new recreational areas.*

arising from exploration programs now under way.

Although many of our energies were expended in material developments this past year, we also devoted a great deal of effort to the management of our human resources. A series of new assignments made in 1968 provides young and dynamic leadership to manage the company's growing businesses.

Continued emphasis was placed on the relations of the company to its employees and the communities in which our plants and mines are located. Increased attention was given to the elimination of air and water pollution and the improvement of environmental health and employee safety. During the year, the copper refinery at Carteret received recognition by the National Safety Council for having the best safety record

in the entire copper smelting and refining industry. The company mines in Colorado were cited by that state for an outstanding safety record.

After the long nation-wide copper strike was settled in February 1968, the company negotiated successfully a number of stabilizing long-term agreements with various unions at major operating locations.

We view the future with optimism and confidence. In recent years, the character and potential of the company have changed importantly as a result of investments in the development of human resources and in new mines, plants and equipment. We have grown from an initial small entry in aluminum fabricating to a position of an important integrated producer. We have made a major entry into the world iron ore business. We have made strides towards changing our base metal operations from custom smelting to an integrated mine-to-consumer business. Finally, we have succeeded in improving the reserve position of our molybdenum business so that we are now confident of being able to help meet the world's expanding needs from our mines for many more years to come.

We record with regret the death in October 1968 of Fred Searls, Jr. who was a director of our company for 38 years. A leading geologist and mining engineer, he rendered counsel of great value during his many years of service.

We wish to thank our shareholders, customers, suppliers and our employees for their continued loyalty and support, which contributed so importantly to our 1968 success and will make possible our continued profitable growth.

*Ian MacGregor*

Ian MacGregor  
President

March 17, 1969



# Year In Review

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## AMAX ALUMINUM GROUP

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AMAX is a major integrated aluminum producer. Products include primary and secondary ingot, plate, sheet, tubing, extrusions, foil and a broad line of architectural and residential building products.

AMAX Aluminum sales in 1968 totalled \$228,000,000, an increase of 18% over 1967. Aluminum is the fastest growing segment of AMAX's business, and sales have more than doubled in the last five years. The 1968 sales gain compared favorably with shipments of the aluminum industry in the U.S. and Free World, which increased approximately 9% for the year.

**Primary Aluminum:** Output of primary ingot was increased during the fourth quarter of the year when the third and final potline at the 50%-owned Intalco reduction facility at Ferndale, Washington was brought on stream. Since its startup, Intalco has operated consistently at greater than rated capacity. Primary ingot production is scheduled at 265,000 tons per year, 16% over original rated capacity, making it one of the largest aluminum reduction plants in the U.S. However, AMAX Aluminum remains a net buyer of the metal since its share of Intalco's production cannot supply AMAX's needs for all its fabrication operations.

**Secondary Aluminum:** The Apex Smelting division produces secondary aluminum ingot and zinc alloys for the diecasting, permanent mold and sand casting markets and distributes primary aluminum alloys. During 1968, Apex's manufacturing margins were depressed due to the rapid rise in scrap prices without a corresponding increase in secondary ingot prices. In addition,

production difficulties were encountered at the Cleveland plant in the startup of new facilities embodying advanced design. Recent price advances for secondary ingot offer some indications of a better balance between purchased scrap and smelter prices by mid-1969.

**Mill Products:** AMAX Aluminum Mill Products produces sheet, plate and irrigation pipe and is a principal supplier of prepainted sheet to the rapidly-growing mobile home and recreational vehicle industries. The new plant near Joliet, Illinois started partial production during the second quarter of 1968. The complete plant is now in service, and capacity operation at an annual rate of 90 million pounds is expected by late 1969. This new facility will double AMAX sheet production capacity, expand product capability, and give the company access to markets it has not been able to serve from its plants in California and Alabama.

**Architectural Products:** Kawneer Company continues to maintain its leadership in the development, manufacture and sale of architectural products, such as store fronts, entrances, windows, wall systems and related units. Five new product lines were introduced during 1968 with good customer acceptance. Construction of new facilities for the production of wall and window products is planned for 1969.

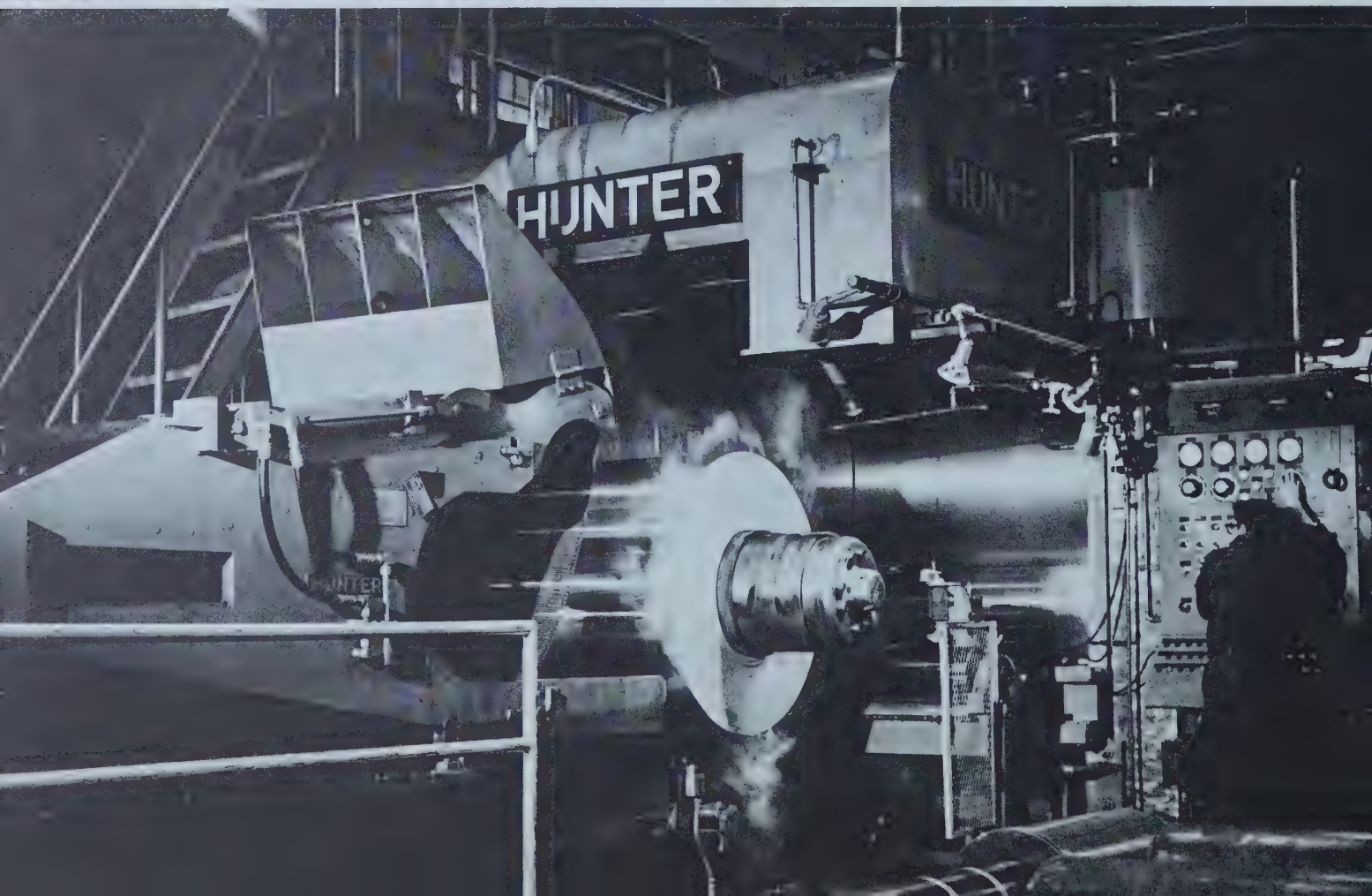
**Extrusions:** AMAX Aluminum Extrusion Products had a sharp increase in sales, enabling the new Hernando, Mississippi plant to operate at near capacity.

*At Intalco, unique machine performs five aluminum-making operations traditionally handled by separate pieces of equipment. Operating efficiencies have increased capacity 16% to 265,000 tons annually.*











*AMAX is a principal supplier of aluminum sheet products to the rapidly-growing mobile home and recreational vehicle markets. This mobile home community is one of more than 22,000 that now exist in U.S.*

**Processing Equipment:** Hunter Engineering, a supplier of processing equipment to the aluminum and other nonferrous industries, entered a new market with shipments of paintline equipment suitable for both aluminum and steel. Hunter is also adapting its continuous leveling equipment for ferrous applications.

**Foil:** Modernization of production facilities enabled the Foil Division to improve product mix and quality. A new high-speed 66-inch mill should be operational by mid-1969.

**Residential Building Products:** AMAX sales of aluminum siding, soffit, fascia, rain-carrying equipment, and sliding glass doors to the residential market were substantially higher in 1968.

**International:** AMAX Aluminum International moved and expanded its architectural products plant, now in full production, at Rheydt, West Germany. Mackamax Aluminium Limited, which is 50% AMAX-owned, has started production at a new, major architectural plant in Runcorn, Cheshire, England. Distribution of AMAX Aluminum

*New aluminum sheet mill near Joliet, Illinois, will give AMAX greater access to large Midwest consuming markets. Plant will reach rated capacity of 90 million pounds of sheet products annually late in 1969. Hunter Engineering, another AMAX unit, built this high-speed rolling mill.*

products was broadened, with new outlets in Southeast Asia, Africa and the Middle East.

**Bauxite:** An agreement was signed with the Western Australia Government defining the conditions under which AMAX would be granted a mineral lease over bauxite deposits it discovered in 1965 in the Kimberley area. Mine development work continued, and an engineering study was completed to form a basis for evaluation of the economic viability of a bauxite mine and adjacent alumina plant. Because of the remoteness of the area and the high costs of developing the site, the town, transportation facilities and roads, the production complex must be of a very large scale. The feasibility of forming a consortium to bring the property into production is being considered.

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## AMAX BASE METALS GROUP

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The AMAX Base Metals Group is responsible for the company's mining, smelting, refining and marketing activities in copper, lead, zinc, cadmium, precious metals and metal powders.

Sales of the Base Metals Group were \$197,000-000 in 1968, an increase of 39% over 1967. The increase was due primarily to full resumption of AMAX's copper refinery operations, which were halted for nearly six months in 1967 and for two months in 1968 because of a nationwide copper strike.

**Copper:** Capacity operations at the Carteret, New Jersey smelter-refinery were quickly resumed after a new labor agreement was signed in February 1968. AMAX produced approximately 200,000 tons of refined copper from the Carteret plant over the remainder of the year.







After the domestic strike was settled, copper production was relatively unhampered by political or other disturbances in world copper producing areas. Copper markets remained firm during the year, spurred by healthy demand in the U.S. and overseas. Foreign prices continued at higher levels than the United States domestic producers price, which advanced from 38 cents per pound in mid-1968 to 44 cents in early 1969.

A major program to modernize and expand production facilities at Carteret was initiated in 1968 to enhance AMAX's competitive position and to allow the plant to process a broader range of raw materials, which in many instances contain by-product metals that can be commercially recovered.

Discussion continued during 1968 on proposed arrangements for mining copper in Puerto Rico, and these matters will now come under study by the new Puerto Rican government. When agreement is reached and company studies have been satisfactorily concluded, a final decision will be made on this project.

**Precious Metals:** At the Carteret refinery, production of silver rose to approximately 36,000,000 ounces and gold to about 1,000,000 ounces. Platinum, palladium, iridium, rhodium and ruthenium also were produced in increased quantities. These record production rates resulted from improved processes and methods.

*AMAX-Homestake new lead mine-mill and smelter complex in southeast Missouri. Smelter (top) began initial production in August 1968 and will account for about 17% of an average year's U.S. primary lead production when it reaches full operation; mine and mill (below) became operational in early 1969 and will be at planned capacity by mid-year.*

**Lead:** Construction of the integrated lead mine-mill and smelter complex in southeast Missouri, owned jointly by AMAX and the Homestake Mining Company, is nearing completion.

The new smelter went into initial production this past summer. At scheduled capacity, it will produce 100,000 tons of refined lead annually. Half of this capacity will be used to treat concentrates on a toll basis from a nearby mine. The balance of the output will be produced from concentrates from the AMAX-Homestake mine. When the smelter reaches full operation, it will account for about 17% of an average year's primary lead production in the United States.

The mine and mill are in initial production with operations scheduled at planned capacity by mid-year. Startup of these facilities was delayed because of extensive underground water flow in 1968.

Reserves at the AMAX-Homestake property are estimated at 53.6 million tons of ore, averaging 6% lead and zinc content. In addition to lead concentrates, the mill is designed to recover 10,000 tons of zinc annually in concentrates. Additionally, 56,000 tons of sulphuric acid will be produced annually and marketed to the chemical industry, with the collateral benefit of avoiding possible air pollution from smelter emissions.

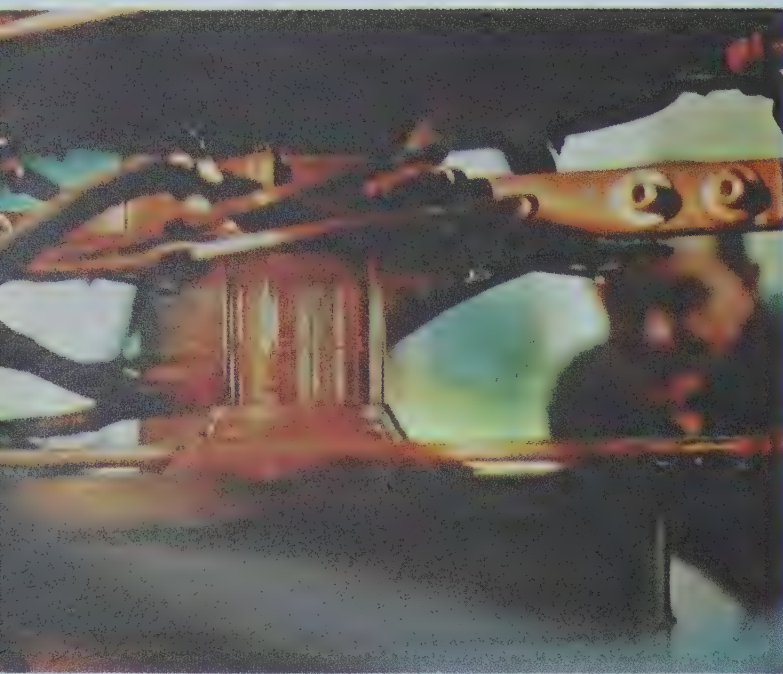
**Zinc:** The smelter at Blackwell, Oklahoma produced approximately 90,000 tons of slab zinc in 1968, nearly the same output as in 1967.

Zinc concentrates, purchased by AMAX from several sources for treatment at the Blackwell smelter, were in ample supply throughout the year.

U.S. zinc consumption in 1968 rose 7.5% to 1,330,000 tons.

Domestic slab zinc production rose to 1,080,000 tons in 1968, a gain of 6.9% over 1967 when out-





*AMAX OFHC-brand copper is specified for scores of high performance industrial applications. Here a section of OFHC copper microwave tube is brazed prior to installation in world's most powerful linear particle accelerator at Stanford.*

put was depressed by smelter strikes. Imports continued heavy and were sufficient to fill the gap between consumption and production in the United States.

**Cadmium:** AMAX is a major producer of cadmium metal and cadmium oxide, obtained as a by-product of zinc smelting operations at Blackwell. In 1968, AMAX sold about 1,600,000 pounds of cadmium, an increase of 18.3% over 1967 and approximately 13% of total U.S. consumption. U.S. cadmium consumption increased approximately 8% over 1967 and was spurred by higher demand from the metal plating, battery manufacturing and chemical processing industries.

**Heath Steele Mines Limited:** Production at the company's 75%-owned lead-zinc-copper mine in New Brunswick, Canada increased to 391,500 tons of ore from 308,900 tons in 1967. The increase was made possible by a mine development and shaft sinking program.

Exploration studies during 1968 confirmed sufficient ore reserves to double the mine production rate to 1,000,000 tons of combined lead-zinc-copper ore a year and to sustain this rate for at least 20 years. Construction and installation of equipment required for this expansion will be completed during 1969.

**Metal Powders:** AMAX is a leading producer of iron and copper powders—products that have increased in use because they facilitate the economic production of complex parts. The metal powders industry resumed its growth pattern in 1968 after a lull in 1967, and production and sales of AMAX metal powders showed a slight increase over the previous year.



# **AMAX MOLYBDENUM AND SPECIALTY METALS GROUP**

The AMAX Molybdenum and Specialty Metals Group is responsible for the mining, metallurgy, research and marketing of molybdenum, tungsten, zirconium, uranium, vanadium and hafnium.

In 1968, sales of the Group amounted to \$124,000,000, a record high, and an increase of 16% over 1967. The increase was due primarily to continued growth in worldwide molybdenum consumption and rebuilding of inventories by molybdenum users. Tungsten sales made a substantial gain over 1967, while AMAX sales of uranium, vanadium and zirconium were slightly lower.

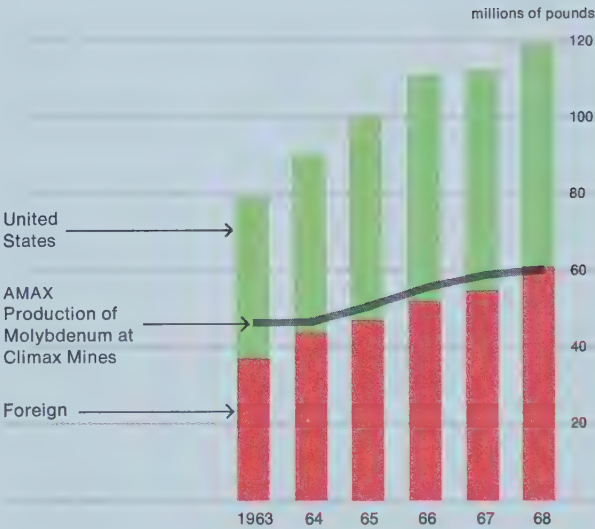
**Molybdenum:** Molybdenum production and consumption were at high levels both in the United States and in the rest of the Free World in 1968. Free World consumption rose to a record 119,000,000 pounds from 112,000,000 in 1967. Most of the increase resulted from higher industrial activity in Western Europe and Japan.

AMAX production of molybdenum rose from 59,000,000 pounds in 1967 to a record 60,000,000 pounds in 1968, assisted by the first full year of operations at the new Urad mine in Colorado.

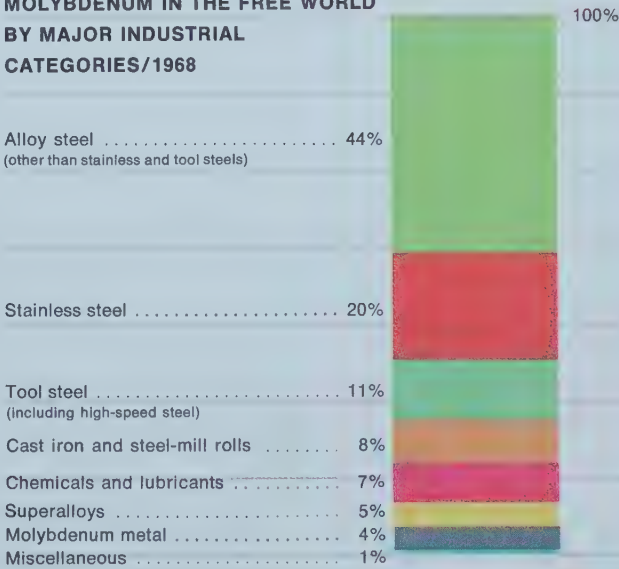
Free World production of molybdenum during 1968 outpaced demand, and with the improvement in the supply picture, the plant for the more costly recovery of molybdenum from oxide ores at Climax, Colorado, was shut down. This plant was built during the molybdenum shortage to supply customers with an extra 3,000,000 pounds per year.

The high quality of Climax molybdenum products has received widespread acceptance by all major European consumers, and the Rotterdam

**ESTIMATED FREE WORLD  
MOLYBDENUM CONSUMPTION**



**ESTIMATED USES OF  
MOLYBDENUM IN THE FREE WORLD  
BY MAJOR INDUSTRIAL  
CATEGORIES/1968**











## 1918-1968 50 YEARS AT CLIMAX

*Capacity of the first Climax mill, completed in 1918, was 250 tons a day.*

*In 1968, total mill capacity at the Climax mine was 43,000 tons a day. Units in the No. 3 mill aid in recovery of tungsten and tin in addition to molybdenum.*

conversion plant, which produces technical molybdcic oxide for European consumers, operated at near-capacity levels in 1968.

In 1968, AMAX purchased Minworth Metals Ltd., which operates two plants in the United Kingdom for the production of ferromolybdenum and other ferroalloys. This acquisition enables AMAX to offer a broad line of ferroalloy products in the tariff area of the Outer Seven nations.

Development of the Henderson molybdenum deposit in Colorado (see cover) continued on schedule during the year. The mine site grading is virtually complete, and the No. 1 shaft is scheduled to reach the planned depth of 2,410 feet in 1969. Proven and probable ore reserves at the Henderson deposit remain at 303 million tons at a grade of 0.49%  $\text{MoS}_2$ . Present plans call for production to begin in the mid-1970's, with a capacity of approximately 50,000,000 pounds of molybdenum per year.

A research center to develop new extractive metallurgical processes neared completion last year at a 20-acre site near Golden, Colorado. The center is designed to service all AMAX mining and metallurgical activities throughout the world. Full operations at the new facility are scheduled this year.



AMAX continues to lead the industry in the development of molybdenum technology. The company conducts a wide-ranging program of basic and applied research on the physical, metallurgical and chemical properties of molybdenum, its alloys and compounds. AMAX also provides extensive technical service and product development assistance to customers in an effort to expand and diversify the uses of molybdenum in its various forms.

Proven reserves at the existing Climax and Urad mines, plus the continuing development of the Henderson ore body project, assure an ample supply of the metal for the future.

Substantial progress was made in a program to reduce costs at the Climax and Urad operations.

**Tungsten:** Production of tungsten at the Climax mine reached 1,600,000 pounds last year, a 14% gain over 1967. Because of strong customer demand, AMAX sales of this metal were up 36%, resulting in a reduction of the company's tungsten inventories. Programs to increase the production of tungsten were accelerated during 1968 to meet the heavy demand for this important metal.

**Uranium and Zirconium:** AMAX continued its production and development activities in zirconium and uranium, which show great potential in the nuclear reactor market. Production of uranium and zirconium during the year approximated 1967 levels.

While these specialty metals did not contribute to profits during 1968, increased attention was devoted to them in order to enable AMAX to share in the spectacular growth forecast for these materials.



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## AMAX OVERSEAS MINING ACTIVITIES GROUP

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The AMAX Overseas Mining Activities Group is responsible for the company's participation in the Mt. Newman iron ore project in Australia and mining investments in Africa.

**Iron Ore:** In Western Australia, AMAX Iron Ore Corporation, a subsidiary, holds a 25% interest in the Mt. Newman project. This international joint venture is one of the world's newest and biggest iron ore projects. Engineering and construction have been marked for their speed and efficiency, and the first shipment of ore is scheduled for April 1. Port Hedland, once a small harbor for





ships carrying wool and mineral products, is being improved to accommodate 100,000-ton ore carriers. This shipping point will become one of Australia's largest volume ports.

During 1968, new contracts were completed for the sale of more than 47,000,000 long tons of ore. The aggregate commitments to Japanese and European buyers now exceed 147,000,000 tons valued in excess of \$1.2-billion. In addition, contracted sales within Australia total a minimum of 70,000,000 tons.

Most of the iron ore committed is for delivery to Japanese steel mills and to the Broken Hill Proprietary Company Limited, one of the Australian participants in the project. Additional tonnages will go to Europe. During 1969, the project will come into production at an initial annual rate of more than 5,500,000 tons of iron ore.

*Above, left: At Port Hedland on Indian Ocean, Mt. Newman iron ore is taken by conveyor to be stockpiled prior to ocean transport to world markets. Port Hedland harbor eventually will handle vessels with capacity of 100,000 tons.*

*Above: At mine site, Mt. Newman iron ore is loaded on train for 265 mile-journey to Port Hedland. Rail line set new construction records and was completed in 14 months, two months ahead of schedule.*

Production capacity will be constantly increased until by 1974 annual output from the Mt. Newman project will be at least 16,000,000 tons.

AMAX Mineral Sales Corporation, a wholly-owned AMAX subsidiary, is responsible for development of iron ore markets outside Australia.



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**African Investments:** AMAX's investments in Africa, at the end of 1968, included a 43% equity in Roan Selection Trust Limited, an 18% equity in O'okiep Copper Company Limited, a 29% equity in Tsumeb Corporation Limited and a 30% direct interest in Botswana RST Limited.

Group production, sales and profits of Roan Selection Trust Limited, the Zambian copper producer, reached a record high in fiscal year 1967-1968.

Production passed the 300,000-long-ton level for the first time and was achieved despite continuing fuel difficulties. In the previous year, production was seriously affected by such fuel difficulties. Demand and prices for copper were exceptionally strong.

Despite substantially higher RST profits, AMAX dividend income received in 1968 was only slightly higher than the previous year. This was due to the limitations on the remittance of dividends outside of Zambia, which were imposed by the Zambian Government in 1968.

RST announced a major expansion at the Mufulira mine. The expansion is expected to be completed by January 1971 and will increase production to 187,000 long tons per year from 162,000 tons. Production from the small open pit copper mine at Kalengwa is expected to begin in the latter part of 1969.

Evaluation studies continue on the Botswana copper/nickel and copper deposits in which Botswana RST Limited holds a 61% interest. AMAX acquired its 30.4% direct interest in BRST as a result of a rights issue offered to shareholders of RST early in 1968. In addition, Roan Selection Trust owns a 30.3% interest in BRST.

Dividend income received from Tsumeb Corporation Limited in 1968 was slightly lower than

1967, while lower dividends from O'okiep Copper Company Limited were more than offset by a higher payout from Palabora Holdings Limited.

Late in 1968, AMAX sold its entire interest in Palabora to South African investors for gross proceeds of \$19.5 million before taxes. The sale will provide funds raised outside of the United States for use in new foreign ventures, in compliance with the U.S. balance of payment regulations.

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**POTASH:** The company's mining, manufacturing and marketing activities in the agricultural chemicals business are the responsibility of the Southwest Potash Division. Deliveries of muriate of potash from the company's Carlsbad, New Mexico mine and mill exceeded 1967 by 13%. Continued erosion in prices in both domestic and foreign markets, however, resulted in decreased dollar sales for the muriate business.

Shipments of potassium nitrate from the company's Vicksburg, Mississippi plant reached an all-time high. Sales revenue, although adversely affected by slightly lower prices, was also greater than for any other previous year of the nitrate operation. Production efficiency and volume were at high levels throughout the year.

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## **CORPORATE PLANNING AND ADMINISTRATION GROUP**

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The Corporate Planning and Administration Group provides services to the Executive Office and to the Operating Groups in the areas of corporate development, employee and community



relations and all administrative functions. It also conducts the company's minerals exploration and petroleum activities.

**Exploration:** AMAX increased exploration activities in the United States, Canada and Australia in 1968, directed at meeting the company's objectives for growth through the discovery or acquisition of economic mineral deposits. The major programs were directed toward a search for molybdenum, copper and nickel.

The search for new deposits of molybdenum continued principally in the western United States and Canada. These programs are continuing in 1969 even as AMAX develops its huge Henderson molybdenum reserves in Colorado.

Copper exploration programs were increased, particularly in the southwestern United States. In 1969, additional copper exploration drilling will be done at AMAX's Kirwin, Wyoming property and drilling programs will begin in Arizona, New Mexico, Idaho, British Columbia and eastern Canada.

A vigorous effort was made to identify new deposits of both sulphide and lateritic nickel. The programs were conducted on a worldwide basis with major activities concentrated in North America. Nickel exploration was also conducted in Australia and the Pacific Islands. Drilling and further evaluation on the company's land holdings in these areas will continue through 1969.

Uranium and tungsten exploration in the United

*The future of AMAX, a natural resources company, depends on its ability to provide the mineral raw materials and metals essential to modern industrial civilization. In 1968, AMAX increased its exploration activities with primary emphasis on the search for molybdenum, copper and nickel.*





States and Canada also increased in 1968 and will continue through 1969.

AMAX continued to emphasize the integration of scientific, technological, and economic research and evaluation in order to clearly define long and short range commodity priorities. Earth science and mineral and metal processing research was carried out at several company locations and was supported by company-sponsored programs at universities and other research centers. These scientific and research activities are being increased in 1969.

**Petroleum:** In 1968, AMAX sold all of its oil properties in Canada, except certain producing properties owned by its wholly-owned subsidiary, Canadian Amco Limited. Undeveloped acreage in the Arkoma Basin in the United States and producing royalty interests in Texas were also sold. All other royalty interests in the United States and the Arkoma Basin producing gas wells were retained.

Exploration activities are being concentrated in the North Sea. AMAX has an 18.5% participation in licenses covering an area of 770 square miles in the Netherlands North Sea region. Seismic work was completed in 1968, and drilling operations started in January 1969. AMAX also holds a one-third interest in North Sea oil and gas leases granted by the United Kingdom in 1964, covering 1,062 square miles. Additional seismic work has been scheduled in this area for the first half of 1969.

**Employee and Community Relations:** During 1968, AMAX endeavored to fulfill its dual responsibility as a good employer and a responsible corporate citizen in every community where it maintains operations.

Employee safety continued to be a major ob-

jective. The Climax Molybdenum Division received the Industrial Commission of Colorado Safety Award as a result of the outstanding record of safe operations at its mines in Colorado. The United States Metals Refining Company's copper refinery in Carteret was cited by the National Safety Council for achieving the best safety record in the entire copper smelting and refining industry in 1968.

The company gained further recognition of its long-term efforts to eliminate water and air pollution. The Climax Molybdenum Division received the first Gold Medal Award ever given to industry by the Sports Foundation, Inc. The award was given for the unusual and successful efforts to eliminate potential water pollution and other environmental hazards at AMAX's Urad, Colorado mine and other mining properties in the state. An additional, but no less important, secondary benefit from Climax's anti-pollution efforts was the creation of a public recreational facility. The University of Colorado's School of Industrial Medicine was retained as a consultant in a new environmental health program, which is of great potential value both to employees and the company's various plant communities.

Efforts to build sound relationships with the various unions which represent our hourly employees at a number of locations continued during 1968. The copper strike at the Carteret plant, which began in July 1967, was settled in February 1968. Long-term contracts were concluded without any interruption of operations at the Climax mine, Blackwell zinc smelter, Heath Steele Mines in Canada, the Intalco aluminum reduction plant, and the Riverside, California plant of AMAX Aluminum Mill Products. Initial contracts were signed at the new lead mine in southeast Missouri, and at the new Joliet, Illinois plant of AMAX Aluminum Mill Products.



## Financial Review

**Net sales** in 1968 were \$570,590,000, an increase of 19% over 1967 sales, which were depressed by strikes in copper, molybdenum and aluminum operations. Shipments in the first quarter of 1968 were curtailed by the copper strike, but the high rate of operations for the balance of the year brought 1968 total sales close to the record-high 1966 level. Sales by major product category are discussed on pages 8 through 22 and a chart showing sales by operating groups is presented on page 26.

**Net earnings**, including extraordinary items, amounted to \$67,350,000, \$4.34 a common share, in 1968, compared to 1967 earnings of \$56,310,000 or \$3.69 a share. Net earnings before extraordinary items in 1968 amounted to \$59,770,000, \$3.85 a common share, up 13% from 1967 earnings of \$52,800,000 or \$3.46 a share. The federal income tax surcharge reduced 1968 earnings by \$2,700,000, 18 cents per share. Extraordinary items included in earnings for 1968 and 1967 are described in note 3, page 32.

**Earnings from operations**, before taxes, were \$55,500,000 in 1968, a 26% improvement over the \$43,970,000 in 1967. All of the company's major operating groups contributed to this improvement, with the largest increases coming from resumption of full copper production after the strike and from the increased output resulting from the completion of the primary aluminum smelter at Intalco. Markets and prices were generally firm during 1968, with the exception of potash, which showed further erosion from 1967's depressed prices. Operating profit margins benefited from productivity and efficiency improvements despite higher labor costs and startup costs associated with the company's record-high capital expenditure program.

**Earnings from other sources** before taxes and after deduction of interest paid totalled \$21,400,000 in 1968, a slight increase over the \$21,070,000 earned in 1967. Dividends received from other companies in which AMAX holds important minority interests were \$20,050,000, an increase of \$1,060,000 from 1967, as shown in the schedule below. The company's equity in earnings retained by these companies in their 1968 fiscal years is estimated to be 91¢ per AMAX common share, compared to 42¢ a share in 1967. Interest income and net profit on investments in 1968 totalled \$9,850,000, as compared to \$8,910,000 in 1967. Interest paid in 1968 on the higher amount of notes outstanding increased to \$8,500,000 from \$6,830,000 in 1967.

### DIVIDENDS FROM AMAX INVESTMENTS IN OTHER COMPANIES

	(In Thousands)	
	<u>1968</u>	<u>1967</u>
<b>In Africa</b>		
Roan Selection Trust Limited	\$10,110	\$ 9,560
Tsumeb Corporation Limited	5,510	5,690
O'okiep Copper Company Limited . . . . .	2,270	2,870
Palabora Holdings Limited .	1,820	510
<b>Miscellaneous . . . . .</b>	<u>340</u>	<u>360</u>
<b>Total before U.S. tax . . . . .</b>	<u>\$20,050</u>	<u>\$18,990</u>



**Dividends** declared by AMAX in 1968 totalled \$29,770,000, approximately the same as in 1967. Dividends on common stock were \$1.90 per share, the same as in the preceding year, and regular quarterly dividends of \$1.0625 were paid on the 4¼ % convertible preferred stock.

**Cash and short-term investments** amounted to \$135,320,000 at the end of 1968, a decrease of \$4,830,000 during the year.

**Accounts receivable**, less allowance for doubtful accounts, increased \$19,260,000 during the year to \$97,490,000, reflecting the record high volume of sales in the fourth quarter.

**Inventories** at December 31, 1968 totalled \$133,-810,000, compared to \$95,760,000 at the end of 1967. Inventories are summarized on page 32 (Note 5).

**Working capital**, the excess of total current assets over total current liabilities, increased \$26,270,000 during 1968 and amounted to \$265,180,000 at year-end. Total current assets increased \$54,920,000, and total current liabilities showed an increase of \$28,650,000.

#### SOURCE AND DISPOSITION OF FUNDS

	(In Millions)	
	1968	1967
<b>Sources:</b>		
Net earnings . . . . .	\$ 67.4	\$ 56.3
Depreciation and depletion . . . . .	25.9	21.0
Additional long-term borrowings . .	33.0	31.3
Deferred Federal income taxes . . .	4.9	1.9
Other increases (decreases) . . . . .	1.0	(3.7)
	<u>132.2</u>	<u>106.8</u>
<b>Dispositions:</b>		
Additions to property, plant and equipment, net . . . . .	76.5	49.9
Dividends on common and preferred stock . . . . .	29.8	29.5
Increase (decrease) in investments	(.4)	5.4
	<u>105.9</u>	<u>84.8</u>
<b>Increase in working capital . . . . .</b>	<b>26.3</b>	<b>22.0</b>
Working capital January 1 . . . . .	<u>238.9</u>	<u>216.9</u>
<b>Working capital December 31 . . .</b>	<b><u>\$265.2</u></b>	<b><u>\$238.9</u></b>

**Investments in Amax Credit Corporation and in 50%-owned companies** decreased \$7,680,000 during the year to \$10,880,000 at December 31, 1968. A summary of these investments is shown on page 32 (Note 6). The decrease resulted principally from a change in the accounting treatment of the AMAX 50% interest in AMAX-Homestake Lead Trollers (a partnership). In 1968, the AMAX investment in this venture is included in the individual accounts of the consolidated statement of financial position.

**Investments in other companies** in which AMAX holds minority interests amounted to \$50,750,000 at the end of 1968, compared to \$43,490,000 a year earlier. These investments are carried at cost. As shown, in the summary on this page market value of listed securities is more than \$124 million higher than cost. The principal changes in these investments during 1968 were the pur-

chase of shares of Botswana RST Ltd. and Kawecki Berylco Industries, and the sale for \$19,500,000 of our investment in Palabora Holdings Limited, which was acquired at a cost of \$770,000. The sale of Palabora shares was made in order to provide funds for use in foreign ventures which are subject to balance of payments regulations.

#### AMAX INVESTMENTS IN OTHER COMPANIES, at December 31, 1968

(In Thousands)				
	<u>Number of Shares</u>	<u>AMAX Equity</u>	<u>Cost</u>	<u>Market Value(1)</u>
<b>Listed securities</b>				
Roan Selection Trust Limited .....	9,303,479	43%	\$25,100	\$108,840
O'okiep Copper Company Limited .....	187,169	18	460	19,860
Copper Range Company .....	358,850	17	8,650	17,540
Canada Tungsten Mining Corporation, Ltd.	1,750,000	35	1,210	2,990
Botswana RST Ltd. ....	952,148	30	2,890	14,040
Kawecki Berylco Industries, Inc. ....	180,438	6	6,100	5,260
Other .....			360	430
Total listed .....			<u>44,770</u>	<u>\$168,960</u>
<b>Unlisted securities</b>				
Tsumeb Corporation Limited (2) .....	1,167,250	29	840	
Canada Tungsten Mining Corporation, Ltd.	(Debentures)		1,720	
Minera Frisco, S.A. ....	(Loan and Equity)		1,110	
Other .....			2,310	
Total unlisted .....			<u>5,980</u>	
<b>Total investments in other companies ....</b>			<u>\$50,750</u>	

(1) The company makes no representation that these values, which represent the closing quotations on December 31, 1968, could be realized in the event of a sale of these holdings. The estimated total market value of unlisted securities is substantially in excess of cost.

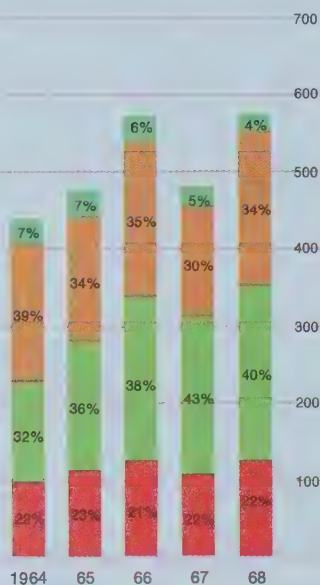
(2) While there was no quoted market price for Tsumeb Corporation shares, that corporation's earnings for its fiscal year ended June 30, 1968 of \$20,090,000 (\$5.02 per share) indicate that the company's holdings in Tsumeb have a value substantially in excess of cost.



## NET SALES

Chemicals and Petroleum  
Base Metals  
Aluminum  
Molybdenum and Specialty Metals

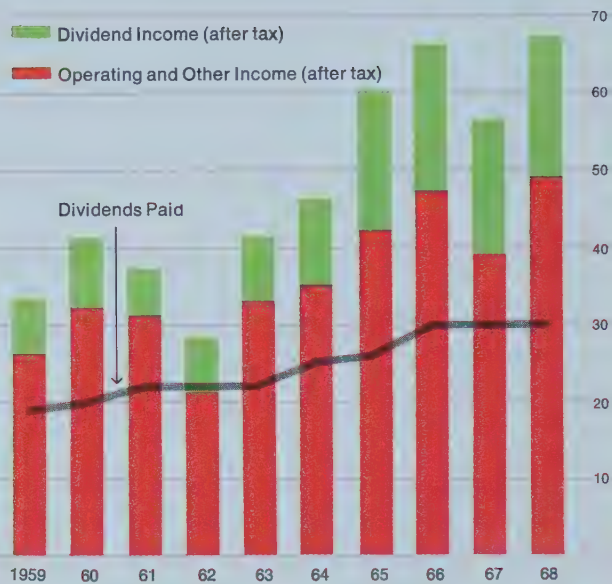
millions of dollars



## NET EARNINGS

Dividend Income (after tax)  
Operating and Other Income (after tax)

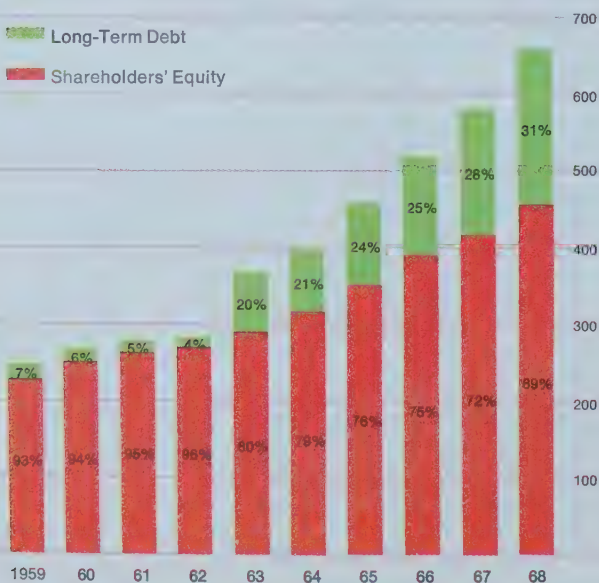
millions of dollars



## CAPITAL STRUCTURE

Long-Term Debt  
Shareholders' Equity

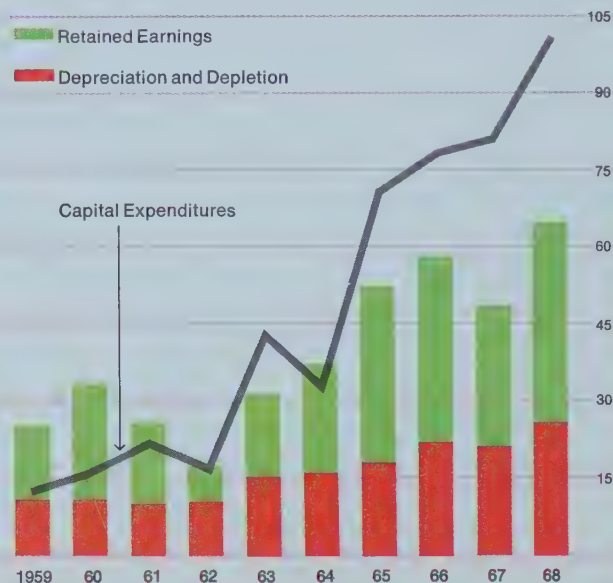
millions of dollars



## CAPITAL EXPENDITURES

Retained Earnings  
Depreciation and Depletion

millions of dollars



**Foreign net assets**, excluding investments in other companies as shown on page 25, totalled approximately \$93,000,000 at December 31, 1968. Approximately 39% of this investment was located in Canada with most of the remainder in Australia, the United Kingdom, and other Western European countries. A significant portion of these assets represented exploration, development and construction projects.

**Long-term debt** aggregated \$189,870,000 at December 31, 1968, an increase of \$33,020,000 during the year. The increase resulted principally from the borrowing of \$28,000,000 for the Mt. Newman Iron Ore project, and \$13,750,000 for the third potline at Intalco primary aluminum smelter.

**Shareholders' equity** at year-end was \$455,230,000, compared to \$416,080,000 at December 31, 1967, an increase of \$39,150,000. The increase represents the excess of 1968 net earnings over dividends declared in 1968.

**Capital stock outstanding** at the end of 1968 was represented by 15,490,294 common shares and by 102,649 shares of cumulative preferred. These shares were held by 28,550 and 880 shareholders of record, respectively. During 1968, 37,610 preferred shares were converted into 94,008 common shares, 38,829 new common shares were issued and 7,100 treasury shares were transferred upon the exercise of options under stock option plans described on page 34 (Note 13). At year-end, there were 15,100 shares held in the company's treasury.

**Capital expenditures** during 1968 for property, plant and equipment reached a record high of \$101,210,000, compared to the previous high of \$80,860,000 expended in 1967. During the four-year period ended in 1968, capital expenditures of \$332 million were made, nearly three times the expenditures rate of the previous four years. The accelerated program of capital expenditures reflects the company's major expansion programs in aluminum, molybdenum, base metals and iron ore. Substantial capital expenditures to increase production of these metals will continue in 1969.



## Ten Year Summary

		<u>1968</u>	<u>1967</u>	<u>1966</u>
<b>For the Year</b> (in millions)	Net sales of products and services .	\$570.6	\$478.3	\$572.6
	Net sales by agency businesses <sup>(1)</sup> .	—	—	—
	<b>Total net sales</b> . . . . .	<u>\$570.6</u>	<u>\$478.3</u>	<u>\$572.6</u>
	Total earnings excl. dividend income	\$ 64.4	\$ 49.5	\$ 62.0
	Dividend income . . . . .	20.1	19.0	20.9
	Federal and foreign income taxes . .	(17.1)	(12.2)	(17.3)
	<b>Net earnings</b> . . . . .	<u>\$ 67.4<sup>(2)</sup></u>	<u>\$ 56.3<sup>(3)</sup></u>	<u>\$ 65.6</u>
	Dividends declared:			
	On preferred stock . . . . .	\$ 0.4	\$ 0.9	\$ 1.4
	On common stock . . . . .	29.4	28.6	28.1
	<b>Total</b> . . . . .	<u>\$ 29.8</u>	<u>\$ 29.5</u>	<u>\$ 29.5</u>
<b>At the Year-End</b> (in millions)	Per share of common stock:			
	Net earnings . . . . .	\$ 4.34 <sup>(2)</sup>	\$ 3.69 <sup>(3)</sup>	\$ 4.35
	Dividends . . . . .	1.90	1.90	1.90
	Capital expenditures . . . . .	\$101.2	\$ 80.9	\$ 78.4
	Depreciation and depletion . . . . .	25.9	21.0	22.2
	Working capital . . . . .	\$265.2	\$238.9	\$216.9
	Investments (at book amounts):			
	Investments in Africa . . . . .	29.8	28.4	30.9
	Other investments . . . . .	31.8	33.7	25.7
	Property, plant and equipment (net)	328.7	278.1	249.2
	Long-term debt . . . . .	(189.9)	(156.9)	(125.5)
	Other liabilities less other assets . .	(10.4)	(6.1)	(9.3)
	<b>Shareholders' equity</b> . . . . .	<u>\$455.2</u>	<u>\$416.1</u>	<u>\$387.9</u>

(1) The agency businesses were sold to Roan Selection Trust Limited as of December 31, 1963.

(2) Includes extraordinary items: gain of \$13,540,000, 88¢ per share, on sale of interest in Palabora Mining Company less loss of \$5,960,000, 39¢ per share, on write-off of molybdenum oxide plant.

(3) Includes nonrecurring gain on sale of oil properties: \$3,510,000 or 23¢ per share.

(4) Includes nonrecurring gain of \$3,000,000 or 21¢ per share, on sale of sales agency businesses, credited to surplus in 1963.

<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>	<u>1961</u>	<u>1960</u>	<u>1959</u>
\$475.0	\$438.2	\$381.9	\$327.2	\$347.4	\$367.7	\$339.6
—	—	325.0	315.0	304.0	384.0	407.0
<u>\$475.0</u>	<u>\$438.2</u>	<u>\$706.9</u>	<u>\$642.2</u>	<u>\$651.4</u>	<u>\$751.7</u>	<u>\$746.6</u>
\$ 58.9	\$ 45.3	\$ 45.9	\$ 34.6	\$ 45.3	\$ 52.7	\$42.9
20.8	11.7	10.5	8.1	7.4	10.7	8.6
(19.6)	(11.4)	(15.6)	(14.6)	(15.5)	(22.1)	(18.2)
<u>\$ 60.1</u>	<u>\$ 45.6</u>	<u>\$ 40.8<sup>(4)</sup></u>	<u>\$ 28.1</u>	<u>\$ 37.2</u>	<u>\$ 41.3</u>	<u>\$ 33.3</u>
\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.8	\$ 2.0	\$ 2.0	\$ 2.0
24.3	23.1	20.1	20.0	19.9	17.7	17.0
<u>\$ 26.1</u>	<u>\$ 24.9</u>	<u>\$ 21.9</u>	<u>\$ 21.8</u>	<u>\$ 21.9</u>	<u>\$ 19.7</u>	<u>\$ 19.0</u>
\$ 4.00	\$ 3.03	\$ 2.71 <sup>(4)</sup>	\$ 1.84	\$ 2.47	\$ 2.77	\$ 2.21
1.675	1.60	1.40	1.40	1.40	1.25	1.20
\$ 71.4	\$ 32.5	\$ 43.3	\$ 17.3	\$ 22.3	\$ 16.1	\$ 13.3
17.5	16.0	14.7	11.4	10.1	11.2	11.2
\$211.0	\$188.2	\$175.1	\$130.2	\$133.4	\$134.2	\$117.8
32.8	32.5	31.3	25.5	25.3	25.0	24.3
20.6	23.6	22.5	21.5	19.5	15.0	16.4
198.1	151.2	132.3	105.6	101.6	94.1	93.3
(108.0)	(81.4)	(72.9)	(10.0)	(15.3)	(15.2)	(16.4)
(4.5)	(0.2)	2.7	(3.6)	(1.9)	(2.9)	(7.4)
<u>\$350.0</u>	<u>\$313.9</u>	<u>\$291.0</u>	<u>\$269.2</u>	<u>\$262.6</u>	<u>\$250.2</u>	<u>\$228.0</u>



# Consolidated Statement of Current and Retained Earnings

FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	<u>1968</u>	<u>1967</u>
<b>Net sales</b> .....	<b>\$570,590,000</b>	<b>\$478,260,000</b>
Cost of sales, exclusive of items shown separately .....	<b>436,840,000</b>	367,230,000
Depreciation and depletion (Note 7) .....	<b>25,870,000</b>	20,950,000
Selling and general expenses .....	<b>39,940,000</b>	35,260,000
Taxes other than Federal and foreign income taxes .....	<b>12,440,000</b>	10,850,000
Total costs applicable to sales .....	<b>515,090,000</b>	434,290,000
<b>Earnings from operations</b> .....	<b>55,500,000</b>	43,970,000
Dividend income (page 23) .....	<b>20,050,000</b>	18,990,000
Interest income and net profit on investments .....	<b>9,850,000</b>	8,910,000
Interest on notes payable .....	<b>(8,500,000)</b>	(6,830,000)
<b>Earnings from other sources</b> .....	<b>21,400,000</b>	21,070,000
<b>Earnings before Federal and foreign income taxes and extraordinary items</b> .....	<b>76,900,000</b>	65,040,000
Federal and foreign income taxes (deferred 1968, \$6,360,000; 1967, \$1,860,000) (Note 4) .....	<b>17,130,000</b>	12,240,000
<b>Earnings before extraordinary items</b> .....	<b>59,770,000</b>	52,800,000
Extraordinary items, net of applicable income tax (Note 3) .....	<b>7,580,000</b>	3,510,000
<b>Net earnings</b> .....	<b>67,350,000</b>	56,310,000
Deduct dividends declared for the year		
Preferred stock .....	<b>430,000</b>	930,000
Common stock .....	<b>29,340,000</b>	28,530,000
Amount added to retained earnings for the year .....	<b>37,580,000</b>	26,850,000
Retained earnings January 1 .....	<b>286,840,000</b>	259,990,000
<b>Retained earnings December 31</b> .....	<b>\$324,420,000</b>	<b>\$286,840,000</b>
Per common share:		
Earnings before extraordinary items .....	<b>\$3.85</b>	\$3.46
Extraordinary items, net of applicable income tax .....	<b>.49</b>	.23
Net earnings .....	<b>\$4.34</b>	\$3.69
Dividends declared .....	<b>\$1.90</b>	\$1.90

The notes on pages 32-35 are an integral part of these financial statements.

# Consolidated Statement of Financial Position

DECEMBER 31, 1968 AND 1967

	<u>1968</u>	<u>1967</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash .....	\$ 11,430,000	\$ 9,940,000
Time deposits and certificates of deposit .....	53,120,000	39,900,000
Short-term marketable securities, at cost (approximates market)	70,770,000	90,310,000
Accounts receivable less allowance for doubtful accounts (1968, \$2,480,000, 1967, \$2,000,000) .....	97,490,000	78,230,000
Inventories (Note 5) .....	133,810,000	95,760,000
Prepaid expenses and other current assets .....	6,770,000	4,330,000
<b>Total current assets</b> .....	<b>373,390,000</b>	<b>318,470,000</b>
Long-term receivables, loans, and charges .....	18,620,000	18,060,000
Investments in AMAX Credit Corporation and 50%-owned companies (Note 6) .....	10,880,000	18,560,000
Investments in other companies (page 25) .....	50,750,000	43,490,000
Property, plant and equipment, at cost, less accumulated depreciation and depletion (Note 7) .....	328,700,000	278,090,000
<b>TOTAL ASSETS</b> .....	<b>\$782,340,000</b>	<b>\$676,670,000</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities .....	\$ 70,060,000	\$ 55,020,000
Notes payable (Note 8) .....	9,700,000	4,820,000
Federal and foreign income taxes .....	11,180,000	13,560,000
Production payments, unearned treatment charges, etc. ....	17,270,000	6,160,000
<b>Total current liabilities</b> .....	<b>108,210,000</b>	<b>79,560,000</b>
Notes payable (Note 8) .....	189,870,000	156,850,000
Deferred income taxes, reserves, etc. (Note 9) .....	29,030,000	24,180,000
<b>Total liabilities</b> .....	<b>327,110,000</b>	<b>260,590,000</b>
<b>Shareholders' equity</b>		
Cumulative preferred stock .....	10,270,000	14,030,000
Common stock .....	111,190,000	107,400,000
Capital surplus .....	9,790,000	8,460,000
Retained earnings .....	324,420,000	286,840,000
Cost of treasury stock .....	(440,000)	(650,000)
<b>Total shareholders' equity</b> (Note 10) .....	<b>455,230,000</b>	<b>416,080,000</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> .....	<b>\$782,340,000</b>	<b>\$676,670,000</b>

The notes on pages 32-35 are an integral part of these financial statements.



# Notes to Financial Statements

## 1. FINANCIAL STATEMENTS PRESENTATION:

The consolidated financial statements include the accounts of all subsidiaries in which a voting control of 51% or more is owned, except AMAX Credit Corporation, a wholly-owned finance subsidiary. In 1968, they also include the company's portion of AMAX-Homestake Lead Tollers, a 50% partnership formerly carried in investments in 50%-owned companies. The 1967 statements have not been restated since the effect of this change is not material.

## 2. EXPLORATION AND GENERAL RESEARCH:

Exploration and General Research expenditures amounted to \$13,570,000 and \$13,740,000 in 1968 and 1967 respectively. In accordance with the company's established policy, the charge to income for exploration is reduced by expenditures previously charged off on properties which currently become exploitable. Net of these reductions which are capitalized, exploration and research expenses, included in the cost of sales, were \$12,330,000 in 1968 and \$12,940,000 in 1967.

## 3. EXTRAORDINARY ITEMS:

The extraordinary items consist of the following: 1968—gain of \$13,540,000 on sale of interest in Palabora Mining Company after deducting applicable federal and foreign taxes of \$5,140,000; less loss of \$5,960,000 on write-off of molybdenum oxide plant after deducting applicable federal income tax effect of \$6,660,000; 1967—gain on sale of oil and gas properties of \$3,510,000 after deducting applicable federal income taxes.

## 4. INVESTMENT CREDIT:

The investment credit is being accounted for as a reduction of federal income taxes in the year in which the credit arises. The credit amounted to \$3,430,000 in 1968 and \$860,000 in 1967.

## 5. INVENTORIES:

	<u>1968</u>	<u>1967</u>
Metals refined and in-process at the lower of cost (primarily last-in, first-out) or market (at December 31 market quotations: 1968, \$112,750,000; 1967, \$79,870,000) .....	\$ 70,920,000	\$ 42,710,000
Metal fabricated products, etc., at the lower of cost (first-in, first-out) or market .....	39,520,000	27,690,000
Ores, concentrates and chemicals, at the lower of average cost or market .....	14,430,000	15,890,000
Operating supplies, at average cost, less reserves .....	8,940,000	9,470,000
	<u>\$133,810,000</u>	<u>\$ 95,760,000</u>

## 6. INVESTMENTS IN AMAX CREDIT CORPORATION AND 50%-OWNED COMPANIES:

	<u>1968</u>	<u>1967</u>
AMAX Credit Corporation ...	\$ 2,150,000	\$ 2,040,000
Intalco Aluminum Smelter Operating Companies ....	6,230,000	5,370,000
Mackamax Aluminium Limited	940,000	980,000
Decatur Aluminum, Inc. ....	840,000	630,000
AMAX-Homestake Lead Tollers (Note 1) .....	—	8,830,000
Kawneer de Mexico, S.A. de C.V. ....	690,000	670,000
Kawneer Jamaica Ltd. ....	30,000	40,000
	<u>\$10,880,000</u>	<u>\$18,560,000</u>

The company's investment in AMAX Credit Corporation and 50%-owned companies is carried at its equity in the net assets of these companies.

## 7. PROPERTY, PLANT AND EQUIPMENT:

	<u>1968</u>	<u>1967</u>
Mining properties and milling plants .....	<b>\$231,820,000</b>	\$198,150,000
Smelters and refineries ...	<b>159,690,000</b>	132,730,000
Oil and gas properties ...	<b>9,160,000</b>	20,480,000
Metal fabricating plants ..	<b>80,900,000</b>	63,840,000
Chemical plant .....	<b>9,100,000</b>	9,120,000
Miscellaneous property and equipment .....	<b>19,240,000</b>	17,640,000
<b>Total cost .....</b>	<b>509,910,000</b>	441,960,000
Less accumulated depreciation (1968, \$166,760,000; 1967, \$149,350,000) and depletion .....	<b>181,210,000</b>	163,870,000
<b>Net book value .....</b>	<b>\$328,700,000</b>	<b>\$278,090,000</b>
Charges to operations for the year:		
Depreciation .....	<b>\$ 21,220,000</b>	\$ 18,810,000
Depletion .....	<b>4,650,000</b>	2,140,000
	<b>\$ 25,870,000</b>	<b>\$ 20,950,000</b>

Depreciation and depletion are computed primarily on the straight line and unit of production methods, respectively.

## 8. NOTES PAYABLE:

	<u>1968</u>	<u>1967</u>
4½ %, payable 1969 to 1988 .....	<b>\$ 60,000,000</b>	\$ 60,000,000
6% to 7%, payable 1970 to 1975 (Subject to manda- tory prepayment under certain conditions) ....	<b>28,000,000</b>	—
4.85%, payable 1969 to 1986 .....	<b>25,320,000</b>	26,220,000
6¼ %, payable 1972 to 1982 .....	<b>25,000,000</b>	25,000,000
5½ %, payable 1969 to 1987 .....	<b>22,440,000</b>	23,160,000
6%, payable 1969 to 1974	<b>13,750,000</b>	—
4.85%, payable 1969 to 1977 .....	<b>6,370,000</b>	6,620,000
3½ %, payable 1969 to 1971 .....	<b>5,250,000</b>	6,000,000
4¾ %, payable 1969 to 1977 .....	<b>4,580,000</b>	5,000,000
Other notes payable .....	<b>8,860,000</b>	9,670,000
	<b>199,570,000</b>	161,670,000
Less amounts due within one year .....	<b>9,700,000</b>	4,820,000
<b>Net long-term .....</b>	<b>\$189,870,000</b>	<b>\$156,850,000</b>

The 1968 long-term notes are payable as follows:

1970	<b>\$ 9,260,000</b>
1971	<b>13,380,000</b>
1972	<b>19,560,000</b>
1973	<b>18,170,000</b>
1974	<b>18,550,000</b>
1975-1990	<b>110,950,000</b>
	<b>\$189,870,000</b>

Subsequent to December 31, 1968, an additional \$7,000,000 was borrowed under the long-term note agreement covering the Mt. Newman project.



**9. DEFERRED INCOME TAXES, RESERVES, ETC:**

	<u>1968</u>	<u>1967</u>
Deferred Federal income taxes .....	<b>\$ 22,480,000</b>	\$ 17,530,000
Miscellaneous reserves and noncurrent liabilities .....	<b>6,550,000</b>	6,650,000
	<b><u>\$ 29,030,000</u></b>	<b><u>\$ 24,180,000</u></b>

**10. SHAREHOLDERS' EQUITY:**

	<u>1968</u>	<u>1967</u>
Cumulative preferred stock, \$100 par value, authorized 1,000,000 shares, issuable in series. Issued and outstanding, 4¼ % convertible series: 1968, 102,649 shares; 1967, 140,259 shares .....	<b>\$ 10,270,000</b>	\$ 14,030,000
Common stock, \$1 par value, authorized 20,000,000 shares, issued, 1968, 15,505,394 shares; 1967, 15,372,557 shares .....	<b>111,190,000</b>	107,400,000
Capital surplus (excess of proceeds over par value of common stock or cost of treasury stock issued upon exercise of stock options) .....	<b>9,790,000</b>	8,460,000
Retained earnings .....	<b>324,420,000</b>	286,840,000
	<b><u>455,670,000</u></b>	<u>416,730,000</u>
Deduct cost of common stock in treasury, 1968, 15,100 shares; 1967, 22,200 shares .....	<b>440,000</b>	650,000
<b>Shareholders' equity .....</b>	<b><u>\$455,230,000</u></b>	<b><u>\$416,080,000</u></b>

**11. CUMULATIVE PREFERRED STOCK:**

The 4¼ % convertible series is convertible into common stock of the company at the rate of 2½ shares of common stock for each share of preferred stock. At December 31, 1968, there were 256,622 shares of authorized and unissued common stock reserved for conversion. The preferred stock may be called now for redemption in whole or in part at \$105 per share, graduated downward to \$100 per share after September 1, 1977 plus accrued dividends. The holders of this series are entitled to like payment on voluntary liquidation of the company and to \$100 per share, plus accrued dividends, on involuntary liquidation. The holders are also entitled to one vote for each share on all matters submitted to shareholders of the company. During 1968, 37,610 shares were converted to common stock and \$3,760,000 was transferred to the common stock account.

**12. DIVIDEND LIMITATIONS:**

Agreements entered into in connection with the notes payable impose restrictions (based on income and working capital) on the payments of cash dividends and the reacquisition of the company's capital stock. At December 31, 1968 approximately \$215,000,000 of retained earnings were free of the restrictions based on income, and working capital exceeded requirements by approximately \$111,000,000.

**13. STOCK OPTION PLANS:**

At December 31, 1968, options were outstanding to purchase 247,978 shares of the company's common stock under Qualified or Restricted Stock Option Plans. Under the Restricted Stock Option Plan for Key Employees, adopted by the shareholders in 1958, the company granted to Key Employees options to purchase common shares of the company exercisable within seven years from the date of grant at a price not less than 95% of the market value on that date. Under the Qualified Stock Option Plan for Key Employees, adopted by the shareholders in 1964, such options may be granted during the 10-year period to May 1974, at a price not less than 100% of the market value on the granting date, exercisable within five years from that date.

Changes in stock options during 1968 were as follows:

	Price Range Per Share	Number of Option Shares	
		Unexercised	Available for Future Grants
Balance at January 1	\$24.60- \$43.75	131,507	300,800
Additional options granted under 1964 Plan . . . . .	\$43.06- \$45.31	165,300	(165,300)
Options terminated . .	\$43.75	(2,900)	2,900
Options exercised . . .	\$24.60- \$43.75	(45,929)	—
Balance at December 31 . . . . .	\$24.60- \$45.31	247,978	138,400

The options are all exercisable and expire at various dates to 1973, but no option granted under the 1964 plan may be exercised by any optionee while he holds any unexercised stock option previously granted at a higher price.

#### 14. EMPLOYEE PENSION PLANS:

Most of the employees of the company and its subsidiaries are covered under retirement plans. The plans for salaried employees, with minor exceptions, are on a contributory basis, while hourly paid employees are generally covered under noncontributory plans negotiated with unions. The charge to income, for pension costs, determined on an actuarial basis consistent with prior years was \$5,300,000 for 1968 and \$3,600,000 for 1967, all of which was funded.

#### 15. GUARANTEES:

At December 31, 1968, the company and its consolidated subsidiaries were contingent guarantors of notes and other liabilities aggregating \$33,100,000, principally in connection with the 50%-AMAX-owned Intalco aluminum plant.

#### LYBRAND, ROSS BROS. & MONTGOMERY

CERTIFIED PUBLIC ACCOUNTANTS

COOPERS & LYBRAND  
IN AREAS OF THE WORLD  
OUTSIDE THE UNITED STATES

To the Shareholders and Board of Directors  
AMERICAN METAL CLIMAX, INC.  
New York, N.Y.

We have examined the consolidated statement of financial position of American Metal Climax, Inc. and its Consolidated Subsidiaries as of December 31, 1968 and the related statement of current and retained earnings and the statement of source and disposition of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination for the year 1967.

In our opinion, the above-referred-to financial statements (pages 30 to 35 and page 24) present fairly the consolidated financial position of American Metal Climax, Inc. and its Consolidated Subsidiaries at December 31, 1968 and 1967 and the results of their operations and source and disposition of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Lybrand, Ross Bros. & Montgomery*

New York, March 17, 1969



# Operations and Locations

## AMAX ALUMINUM GROUP

STEPHEN A. FURBACHER\*  
Group Vice President

### AMAX Aluminum Company, Inc.

Greenwich, Connecticut  
STEPHEN A. FURBACHER  
President

### AMAX ALUMINUM BUILDING PRODUCTS, INC.

Evansville, Indiana  
RICHARD H. MAGUIRE  
General Manager

Atlanta, Georgia  
Carlstadt, New Jersey  
Chicago, Illinois\*\*  
Detroit, Michigan  
Evansville, Indiana  
Long Island, New York  
Louisville, Kentucky  
Riverside, California

### AMAX ALUMINUM EXTRUSION PRODUCTS, INC.

St. Charles, Illinois  
LAWRENCE E. DUBÉ  
President

St. Charles, Illinois  
Hernando, Mississippi

### AMAX ALUMINUM FOIL PRODUCTS

St. Louis, Missouri  
JOE E. ROBERSON  
President

St. Louis, Missouri  
Riverside, California

### AMAX ALUMINUM MILL PRODUCTS, INC.

Riverside, California  
PETER D. WEISSE  
President

Bloomsburg, Pennsylvania  
Dayton, Ohio  
Elkhart, Indiana  
Joliet, Illinois  
Marshfield, Wisconsin  
Ocala, Florida  
Riverside, California  
Tulsa, Oklahoma

Decatur Aluminum Company, Inc.\*\*  
Decatur, Alabama

### AMAX ALUMINUM PRIMARY METAL DIVISION

Greenwich, Connecticut  
HERBERT C. CLOUGH  
Vice President

ITALCO ALUMINUM\*\*  
Ferndale, Washington

### APEX SMELTING CO.

Chicago, Illinois  
K. HAROLD SANKMAN  
President

Chicago, Illinois  
Cleveland, Ohio  
Long Beach, California

### HUNTER ENGINEERING CO.

Riverside, California  
S. J. COLLINS  
President

### KAWNEER COMPANY, INC.

Niles, Michigan  
CHARLES B. HUIZENGA  
President

Atlanta, Georgia  
Bloomsburg, Pennsylvania  
Carrollton, Kentucky  
Cynthiana, Kentucky  
Niles, Michigan  
Richmond, California

### Kawneer Company Canada Limited

Toronto, Canada

South Bend Screw Products, Inc.  
South Bend, Indiana

### AMAX ALUMINUM INTERNATIONAL DIVISION

New York, New York  
ROBERT MARCUS  
President

Alumex, S.A. de C.V.†  
Mexico City, Mexico

AMAX Aluminum G.m.b.H.  
Rheydt, Germany

Hunter Aluminium Company Limited  
Aston Clinton, Bucks., England

Kawneer Company Pty. Limited  
Girraween, N.S.W., Australia

Kawneer de México, S.A. de C.V.\*\*  
Mexico City, Mexico  
Puebla, Pue., Mexico

Kawneer Jamaica Limited\*\*  
Kingston, Jamaica

Mackamax Aluminium Limited\*\*  
Aston Clinton, Bucks., England  
Runcorn, Cheshire, England

\*\*50%-owned  
†40%-owned

## AMAX BASE METALS GROUP

JOHN TOWERS\*  
Group Vice President

### AMAX Base Metals

New York, New York  
JOHN TOWERS  
Group Vice President

### AMAX COPPER DIVISION

New York, New York  
RICHARD E. WOLFF  
President

### AMAX COPPER, INC. Sales and Service

New York, New York

### UNITED STATES METALS REFINING COMPANY

Carteret, New Jersey

### AMAX METAL POWDERS Iron Powder

Niagara Falls, New York

### NONFERROUS POWDERS

Carteret, New Jersey

### PONCE MINING COMPANY, INC.

Utua, Puerto Rico

### AMAX LEAD & ZINC DIVISION

New York, New York  
J. GORDON McCULLOUGH  
President

### AMAX LEAD AND ZINC, INC. Sales and Service

New York, New York

### BLACKWELL ZINC COMPANY, INC.

Blackwell, Oklahoma

### MISSOURI LEAD OPERATING COMPANY

Bixby, Missouri

### HEATH STEELE MINES LIMITED

Newcastle, N.B., Canada

\*AMAX Corporate Vice President

## **AMAX MOLYBDENUM AND SPECIALTY METALS GROUP**

DAVID MAYERS\*  
*Group Vice President*

### **CLIMAX MOLYBDENUM COMPANY**

New York, New York  
DAVID MAYERS  
*Group Vice President*

#### **Western Operations**

Golden, Colorado  
EDWIN J. EISENACH  
*Vice President*

#### **Molybdenum Mining**

Climax, Colorado  
Henderson, Colorado  
Urad, Colorado

#### **Eastern Operations**

New York, New York  
LARS E. EKHOLM  
*Vice President*

#### **Molybdenum Conversion**

Langeloth, Pennsylvania  
Rotterdam, Holland

#### **MINWORTH METALS, LTD.**

Birmingham, England

### **Sales Market Development and Research**

New York, New York  
PIERRE GOUSSELAND  
*Vice President*

#### **Sales**

New York, Chicago, Dayton  
Denver, Detroit, Los Angeles,  
Pittsburgh

#### **International Sales and Market Development**

#### **Climax Molybdenum S.A.**

Paris, France

#### **Climax Molybdenum**

**Company Limited**  
London, England

#### **Climax Molybdenum Company**

Zürich, Switzerland

#### **Climax Molybdenum G.m.b.H.**

Düsseldorf, Germany

#### **Climax Molybdenum**

**Development Company**  
**(Japan) Limited**

Tokyo, Japan

#### **International Sales Service Representatives**

#### **Equipamentos Industriais EISA Ltda.**

São Paulo, Brazil

#### **Railway & Power Engineering Corporation Limited**

Montreal, Canada

#### **Nichibei Boeki Company, Limited**

Tokyo, Japan

#### **Samuel Osborn (South Africa) (Pty.) Limited**

Johannesburg, South Africa

#### **Metal Distributors Limited**

Bombay, Calcutta,  
Madras and New Delhi, India

#### **RESEARCH**

Ann Arbor, Michigan  
Golden, Colorado

#### **NICKEL PROJECT**

New York, N.Y.  
REUEL E. WARRINER\*  
*Vice President*

### **CLIMAX URANIUM COMPANY**

Grand Junction, Colorado  
A. M. MASTROVICH  
*General Manager*

### **AMAX SPECIALTY METALS DIVISION**

New York, New York  
G. ROBERT COUCH  
*Vice President*

#### **AMAX SPECIALTY METALS, INC.**

Akron, New York

#### **Fabricating Plant Sales and Service**

Akron, New York

#### **Zirconium Sponge Plant**

Parkersburg, West Virginia

#### **Metallic Molybdenum Production**

Coldwater, Michigan

#### **Metallic Molybdenum Sales and Service**

Ann Arbor, Michigan

## **AMAX OVERSEAS MINING ACTIVITIES GROUP**

JOHN PAYNE, JR.\*  
*Group Vice President*

### **AMAX Iron Ore Corporation**

New York, New York  
JOHN PAYNE, JR.  
*President*

Perth, Australia

### **AMAX Mineral Sales Corporation**

New York, New York

### **AMAX Pacific Sales Corporation**

New York, New York

### **Investments in Other Companies**

#### **Botswana RST Limited**

(30% equity)  
Botswana

#### **O'okiep Copper Company Limited**

(18% equity)  
South Africa

#### **Roan Selection Trust Limited**

(43% equity)  
Zambia

#### **Tsumeb Corporation Limited**

(29% equity)  
South West Africa

## **DIVISIONS**

### **SOUTHWEST POTASH DIVISION**

New York, New York  
FRED H. STEWART  
*President*

#### **Domestic Sales and Services**

Southwest Potash Corporation  
New York, New York

#### **Potash Mining**

Carlsbad, New Mexico

#### **Potassium Chemicals and Chlorine**

Vicksburg, Mississippi

#### **International Sales and Service**

Latin America, Europe, Africa,  
South East Asia, South West Asia,  
Far East and Oceania

### **EXPLORATION AND MINE EVALUATION DIVISION**

New York, New York  
ROBERT I. DAVIS  
*President*

#### **AMAX EXPLORATION, INC.**

New York, New York  
Tucson, Arizona  
Denver, Colorado  
Kirkland Lake, Toronto, Vancouver  
and Winnipeg, Canada

#### **AMAX MINING (AUSTRALIA), INC.** Sydney and Perth, Australia

### **PETROLEUM DIVISION**

Tulsa, Oklahoma  
LLOYD L. PARKS  
*Vice President*

#### **AMAX PETROLEUM (U.K.) LTD.**

London, England



## Board of Directors

### FOR THE TERM ENDING 1969

John B. Aird (*Toronto, Canada*)  
*Partner, Edison, Aird & Berlis and Senator of Canada*

Donald J. Donahue  
*Executive Vice President*

Walter Hochschild *Honorary Chairman of the Board  
 and Chairman of the Executive Committee*

David D. Irwin

Harold J. Szold *Partner*  
*Lehman Brothers*

Edward C. Wharton-Tigar (*London, England*)  
*Managing Director, Selection Trust Limited*

### FOR THE TERM ENDING 1970

Thomas H. Bradford (*London, England*)  
*Director, Selection Trust Limited*

William A. M. Burden  
*Partner, William A. M. Burden & Co.*

Harold K. Hochschild *Honorary Chairman  
 of the Board and Chairman of  
 the Compensation Committee*

Carl M. Loeb, Jr.  
*Chairman of the Board,  
 American Thermocatalytic Corporation*

Ian MacGregor  
*President*

### FOR THE TERM ENDING 1971

A. Chester Beatty (*London, England*)  
*Chairman, Selection Trust Limited and  
 Consolidated African Selection Trust Limited*

Arthur H. Dean *Partner, Sullivan & Cromwell,  
 General Counsel of the Company*

John P. Du Cane (*London, England*)  
*Director, Selection Trust Limited*

Gabriel Hauge  
*President, Manufacturers Hanover Trust Company*

Lawrence J. Plym

Gordon W. Reed *Consultant to the Company  
 and Chairman of the Finance Committee*

## Officers

Ian MacGregor *President*  
 Donald J. Donahue *Executive Vice President*  
 John F. Frawley *Vice President*  
 Stephen A. Furbacher *Vice President*  
 David Mayers *Vice President*  
 John Payne, Jr. *Vice President*  
 H. A. Sawyer, Jr. *Vice President and Controller*  
 Roger C. Sonnemann *Vice President*  
 John Towers *Vice President*  
 Reuel E. Warriner *Vice President*  
 Erwin A. Weil *Vice President and Secretary*  
 Richard B. Crowl *Treasurer*

### EXECUTIVE COMMITTEE

Walter Hochschild *Chairman*  
 Arthur H. Dean  
 Donald J. Donahue  
 John P. Du Cane  
 Harold K. Hochschild  
 Carl M. Loeb, Jr.  
 Ian MacGregor  
 Lawrence J. Plym  
 Gordon W. Reed  
 Edward C. Wharton-Tigar

### FINANCE COMMITTEE

Gordon W. Reed *Chairman*  
 William A. M. Burden  
 Arthur H. Dean  
 Donald J. Donahue  
 Harold K. Hochschild  
 Walter Hochschild  
 Ian MacGregor  
 Lawrence J. Plym  
 Harold J. Szold  
 Edward C. Wharton-Tigar

### ORGANIZATION CHANGES

David Mayers and Roger C. Sonnemann were elected Vice Presidents of the Company; H. A. Sawyer, Jr., Vice President since 1966, was elected to the additional office of Controller succeeding John F. Frawley who continues as Vice President; Erwin A. Weil, Secretary since 1957, was elected to the additional post of Vice President.

In 1968, two vice presidents of the company retired after long and distinguished careers: Ernest T. Rose retired after 44 years of service. The company is continuing to benefit from his experience; he will serve as a consultant on many of our interests abroad. Alvin J. Herzig retired at year-end after 37 years of service as a research metallurgist.

## AMAX Corporate Officers

### THE EXECUTIVE OFFICE

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Ian MacGregor  
*President and Chief Executive Officer*



Donald J. Donahue  
*Executive Vice President*

### OPERATIONS

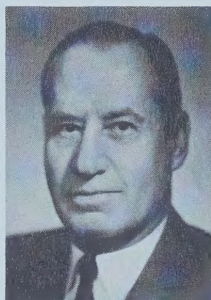
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Stephen A. Furbacher  
*Vice President  
and Group Executive  
Aluminum Group*



David Mayers  
*Vice President  
and Group Executive  
Molybdenum and  
Specialty Metals Group*



John Payne, Jr.  
*Vice President  
and Group Executive  
Overseas Mining  
Activities Group*



John Towers  
*Vice President  
and Group Executive  
Base Metals Group*



Reuel E. Warriner  
*Vice President,  
Nickel Project*

### CORPORATE STAFF

---



John F. Frawley  
*Vice President  
and Group Executive  
Corporate Planning and  
Administration Group*



H. A. Sawyer, Jr.  
*Vice President,  
Controller and  
Group Executive  
Finance Group*



Richard B. Crowl  
*Treasurer*



Roger C. Sonnemann  
*Vice President,  
Administration and  
Employee Relations*



Erwin A. Weil  
*Vice President  
and Secretary*



